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**Minneapolis Community Planning and Economic Development
105 Fifth Avenue South, Suite 200
Minneapolis, MN 55401**

**Request for Proposals
for
Purchase, Lease or Management and Operation of
Hennepin Stages
824 Hennepin Avenue
(formerly Hey City Theater)**

**Issued by:
Minneapolis Department of Community Planning and Economic Development
(CPED)
105 Fifth Avenue South, Suite 200
Minneapolis, Minnesota 55401**

www.ci.minneapolis.mn.us/cped

For issues specific to this RFP, contact:

Bill Tetzlaff, Senior Project Coordinator

**Minneapolis Department of Community Planning & Economic Development
105 Fifth Avenue South, Suite 200
Minneapolis, MN 55401
Fax: (612) 673-5113
bill.tetzlaff@ci.minneapolis.mn.us**

NOTICE

The City of Minneapolis has issued two separate Requests For Proposals (“RFPs”) for its four theaters. This RFP is for one theater, for the purchase, lease or management and operation of the Hennepin Stages Building located at 824 Hennepin Avenue. The other RFP is for three theaters, for operating and programming of the Orpheum, State and Pantages theaters. Respondents interested in submitting a proposal for the Orpheum, State and Pantages theaters must submit their proposal in accordance with the Orpheum, State and Pantages Theaters RFP and not this RFP. Respondents may submit proposals to either one or both RFPs.

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EXHIBITS

- Exhibit 1 – Consent for Release of Response Data
- Exhibit 2 – Request for Proposal General Requirements

INTRODUCTION

The Minneapolis Department of Community Planning and Economic Development (CPED), the housing and economic development arm of the City of Minneapolis (City), which includes the former Minneapolis Community Development Agency (MCDA), is seeking proposals for the acquisition, lease or management and operation of 824 Hennepin Avenue.

The MCDA is the fee owner of 824 Hennepin Avenue, for the last 10 years known as Hey City Theater. Prior to that period the building housed Hirshfield Paint and Wallcoverings, and has now been temporarily renamed Hennepin Stages. It is located in the heart of the Hennepin Theatre District, which extends from Fifth Street to 10th Street along Hennepin Avenue in downtown Minneapolis.

The Hennepin Theatre District is adjacent to the core of Minneapolis' Central Business District, which has 160,000 employees and is part of the Upper Midwest's most vibrant entertainment/hospitality district with scores of restaurants, clubs, hotels, and parking facilities within easy walking distance of the theaters. Within the district are three other MCDA-owned theaters, the Orpheum and State, which are connected directly to the City's skyway pedestrian system, and the Pantages, which is within ½ block of access to the skyway system. A proposed fifth theater in the district, the Shubert Theater, is owned by Artspace, which is undertaking a capital fund drive for its restoration and future operation. Other major entertainment venues within the entertainment district are Target Center (NBA arena) and a new 15-screen multiplex theater. Downtown Minneapolis has more than 30,000 residents and is continuing to experience rapid growth in the downtown housing market.

BACKGROUND

The 824 Hennepin Avenue building was acquired by the MCDA in 1995 and leased to Hey City Theater for the production of "Tony and Tina's Wedding." At the end of the initial run of that production the building was renovated to accommodate separate productions on each of the two main floors. The building remains laid out in that manner, with a combination of permanent as well as table and chair seating on each floor.

The MCDA's lease with the operator of Hey City Theater was terminated on July 23, 2004, and the City authorized an interim management agreement with Historic Theatre Group to manage the theater on a short-term basis while a purchaser, lessee or permanent operator is sought.

Some details of the property are:

Property Identification Number:	27-0029-24-12-0056
Assessed Value:	\$1 million
Taxes (2004):	Personal property tax \$32,259, solid waste fee \$137, total \$32,406
Special Assessments beginning in 2005:	\$2,886 (estimate)
Site size:	7,325 square feet on an irregularly-shaped site, with 50 lineal feet on Hennepin Avenue
Building size:	5,400-square-foot footprint, three finished floors including the lower level, 16,200 total square feet of finished space
Zoning:	B4S-2, Downtown Service District and DP, Downtown Parking Overlay District
Parking:	five spaces on site, extensive number of structured spaces available nearby
Theater seating capacity:	200-250 on each of two floors

Real estate tax parcel information, including ownership, dimensions, area, and maps, for each of the theaters may be accessed at the Web site listed below:

www2.co.hennepin.mn.us/pins

Respondents are responsible for determining any change in the tax status of the theaters due to the structuring of their proposal. Questions relating to real estate tax exemption status may be addressed to:

Patrick Todd, Minneapolis Assessor's Office
(612) 673-2483
patrick.todd@ci.minneapolis.mn.us

CITY GOALS

On July 23, 2004, the City Council directed CPED staff to issue a Request for Proposals seeking a purchaser, lessee or long term user of 824 Hennepin Avenue. The Council further directed that:

1. Proposals be ranked in accordance to whether they propose to buy, lease or operate the building, and
2. A purchaser, lessee or operator be sought who would enter into an agreement to operate the space as a venue for performance or arts-related activities.

In addition to these goals, proposals will be ranked based on their ability to repay the City's current debts on the building totaling approximately \$710,000, either by retiring these debts or paying the monthly debt service sufficient to do so.

PROPOSAL SUBMISSION AND REQUIRED MATERIAL

Proposers must submit copies of their proposals as follows: one unbound copy, 10 bound copies and one electronic version in Microsoft compatible or PDF format on diskette or CD. Proposals must be on standard 8 ½" by 11" paper. All supporting documentation must be on paper no larger than 11" by 17". **Proposals and supporting documentation must be submitted in a sealed envelope labeled "824 Hennepin Request for Proposals, Due: October 29, 2004 at 4:00 p.m."** Faxed proposals will not be accepted. Proposers may choose to provide additional sets if and when invited to do so for presentation purposes. Submissions will not be returned.

Proposals shall be delivered to the City on or before:

Date: October 29

Time: 4:00 p.m. Central Time

**To: Contract Services
City of Minneapolis (CPED)
105 Fifth Avenue South, Suite 200
Minneapolis, MN 55401**

Proposals received after the deadline will not be accepted. It is neither CPED's responsibility nor practice to acknowledge receipt of any proposal as a result of the Request for Proposals process. It is the responder's responsibility to assure that a proposal is received in a timely manner.

RFP Inquiries

Prospective responders may only direct questions in writing to the department contact person:

Bill Tetzlaff, Sr. Project Coordinator
Minneapolis Department of Community Planning and Economic Development
105 Fifth Avenue South, Suite 200
Minneapolis, MN 55401
Email: <mailto:bill.tetzlaff@ci.minneapolis.mn.us>
Fax: (612) 673-5113

All questions are due no later than 4:00 p.m., October 8, 2004. Questions will be answered in writing and posted on the CPED Web site: www.ci.minneapolis.mn.us/cped/hennepin_stages_rfp_home, by October 14. The department contact person is the only individual who can be contacted about the project by respondents before the proposal deadline. The department contact cannot vary the terms of the RFP.

Pre-proposal Conference and Tour

A pre-proposal conference and walk-through tour of the theaters will be held on **October 5, 2004, at 1:00 p.m.** in the 824 Hennepin Building. CPED representatives and theater management staff will be available to respond to questions regarding this RFP, the physical facilities, and the operating aspects of the building. Questions that can not be answered at the conference will be answered by posting on the CPED Web site by October 14.

PROPOSAL CONTENTS

Proposals must include the following:

1. A cover page that includes the following information:
 - a. Responding entity's name and mailing address
 - b. Respondent's current legal status: corporation, partnership, sole proprietor, etc.
 - c. Federal ID number or Social Security number
 - d. State ID number
 - e. Contact person's name, title, phone number, fax number and e-mail address
 - f. Signature of authorized corporate officer for each entity proposing as a partnership or team
2. **A narrative summary of the nature and structure of the proposed ownership, management, and presenting arrangement** (e.g., fee ownership, facility lease, management and/or presenting contract), and how the proposal addresses each of the goals as indicated by the City Council.
3. An **identification of the entities** that will be involved, a description of the roles they will play (e.g., building owner, property manager, building lessee, event programmer/presenter), the contractual relationships within the team, the financial responsibilities and percentage of ownership (if applicable) of each team entity, a description and evidence of the nature of each entity's commitment to the project, and a summary of the team's past experience in working together. A description of each of the entities' experience in similar projects and roles must be included, including location, type of facility, beginning and ending dates of involvement, and information about any continued financial or operating interest in each. Include specific previous relevant experience with public entities, including reference contact information. The City may ask for supporting documentation substantiating claims of previous experience. Identify the principal person who will speak for the responding entity and any other key participants who will be involved in negotiating the contract terms. Specify whether the respondent entity is or intends to form a corporation, a general or limited partnership, a joint venture, a 501(c)(3) corporation, or other type of business association to carry out the proposed activities. The respondent must also provide a minimum of the most current two consecutive years of financial

statements for the entity(ies) and/or principal(s) that comprise or will comprise the respondent, which may be submitted confidentially to the

CPED director under separate cover clearly marked “Confidential Private Data” and mailed or delivered to:

Lee Sheehy, Director
Minneapolis Department of Community Planning
and Economic Development
105 Fifth Avenue South, Suite 200
Minneapolis, MN 55401-2534

CPED will treat financial statements submitted under this procedure as either business data or RFP data pursuant to Minnesota Statutes Sections 13.59 and 13.591, respectively. However, CPED assumes no liability should this data be ruled public data by a court of competent jurisdiction.

4. A **term sheet** that outlines proposed contract terms and conditions.
5. If applicable, a preliminary **capital pro forma** showing the detailed sources and uses of funds (debt, equity and other) to acquire the building and/or undertake proposed capital equipment purchases and capital improvements during the initial five years of the agreement. Information as to the status of securing those funds should be included, and inclusion of a conditional financing commitment is strongly encouraged. Clearly indicate any public assistance to be requested.
6. A preliminary ten-year **operating pro forma**. Include the assumptions underlying the income and expense projections. Clearly indicate the sources and amounts of revenues available for debt service on the City’s outstanding debt and provisions for a capital improvement reserve. Also show the Cash-on-Cash Return and Internal Rate of Return and describe proposed distribution or utilization of net operating income.
7. A **staffing plan** that includes an organizational chart showing key management personnel and identification of onsite management personnel.
8. A **box office and ticket sales plan** including responsibilities for group and subscription season sales if appropriate.
9. A **facility utilization and marketing plan** describing the mix of event types to maximize utilization of the building and the strategies, resources, and experience to achieve those goals.
10. A **description of the public economic benefits** that will result from the proposal, e.g., the direct and indirect economic benefit, creation or retention of jobs (including the estimated number, type and wage levels), tax base enhancement (sales, entertainment, and real estate, as applicable), etc.

11. A **transition plan** for the assumption of booking and management duties from the current Management Agreement with Historic Theatre Group.
12. An executed “**Consent for Release of Response Data**” form (**Exhibit 1**). Proposals that do not include an executed “Consent for Release of Response Data” form shall be considered incomplete, which will be grounds for rejection of the entire proposal.
13. Any other information that would help City staff understand and evaluate the concept.

Other requirements

The selected respondent will be required to enter into appropriate contracts, agreements, and leases with the City and comply with any applicable City requirements. These requirements vary depending upon the type of proposal and the source and amount of public funding and may include, without limitation, the payment of prevailing wages for construction, the preparation of Affirmative Action Plans, competitive bidding, compliance with Chapter 423 Small and Underutilized Business Enterprise Program and Business Subsidy Act/Living Wage Policy, and reporting requirements for those programs.

Management Contract General Conditions: Responses that consist of a proposed management contract with the City will need to acknowledge the conditions contained in the “General Requirements” document attached to this RFP as **Exhibit 2**. Note that the respondent agrees to be bound by those requirements **unless otherwise noted in the proposal**. Where specific requirements described in both the RFP document and the “General Conditions” document may differ, the more inclusive requirement will govern.

Guarantees of Performance: Within seven calendar days of City Council approval, the selected respondent will be required to provide a \$50,000 “good faith” deposit that will be returned upon respondent’s assumption and commencement of the purchase, lease or management of the building.

Sale or Lease Terms: The requirements of the City’s Disposition Policy will apply to the sale or lease of the building. Basically, this requires the determination and disclosure of fair market value or fair leasehold value and a public hearing prior to final approval of the proposed terms by the City Council. CPED reserves the right to negotiate the sale or lease terms with the selected respondent.

Insurance: If CPED remains the fee owner of the building, the respondent will be required to provide the following insurance coverage, naming the City of Minneapolis as an additional insured:

1. Liability Insurance: A minimum of \$3 million in Combined Single Limit general liability insurance, covering personal injury, property damage liability, and contractual liability.

2. Workers Compensation insurance that meets the statutory obligations with Coverage B - Employers Liability limits of at least \$100,000 each accident, \$500,000 disease – policy limit and \$100,000 disease each employee.

3. Property Insurance: Replacement value (building and personal property). The current policy covers \$2.06 million in building and personal property.

Equal opportunity (nondiscrimination and affirmative action):

The selected respondent will be required to comply and cause its contractors to comply with applicable provisions of Chapters 139 and 141 (Title 7, Civil Rights), Minneapolis Code of Ordinances, nondiscrimination provisions contained in Chapter 181, Minnesota Statutes, the Americans with Disabilities Act of 1990 (as amended), Section 109 of the Housing and Community Development Act of 1974 (as amended), the Age Discrimination Act of 1975 (as amended) and Executive Order 11246, as amended by Executive Order 12086. The selected respondent will be required to agree not to discriminate against any employee or applicant for employment because of race, color, creed, religion, ancestry, national origin, sex, affectional preference, disability or other handicap, age (40 – 70), marital status, or status with regard to public assistance. The selected respondent also will be required to take affirmative action to ensure that all employment practices are free of such discrimination. These employment practices include, but are not limited to, the following: hiring, upgrading, demotion, transfer, recruitment or recruitment advertising, layoff, termination, rates of pay or other forms of compensation and selection for training, including apprenticeship. The respondent will post in conspicuous places, available to employees and applicants for employment, notices to be provided by the City setting forth the provisions of this non-discrimination clause. The selected respondent also will be required, in all solicitations or advertisements for employees placed by or on behalf of the developer, to state that it is an equal opportunity or affirmative action employer.

Litigation and Dispute Disclosure:

Indicate and disclose all lawsuits including claims involving arbitration or other alternative dispute resolution mechanisms filed against the respondent and any affiliates within the past five years of the date of this RFP. Notwithstanding the above disclosure requirement, the respondent is not required to include in its disclosure of lawsuits the following litigation claims:

- (1) personal injury suites for amounts of less than \$100,000 filed by visitors, guests, invitees, licensees or trespassers at or upon the real properties owned, leased, operated or managed by the respondent or its affiliates;
- (2) worker’s compensation claims filed by employees of the respondent or its affiliates or by independent contractors retained or hired by the respondent or affiliates;
- (3) mechanics, supplier or materialmen liens of less than five thousand and no/100 (\$5,000.00) dollars; and
- (4) real property tax appeals.

Among the types of lawsuits CPED will want disclosed are sexual harassment claims; age discrimination claims; other claims involving protected classes such as race, national origin, gender or sexual preference; breach of contract claims, especially those involving the lease or use of facilities by performers or vendors; and claims involving violations of collective bargaining agreements.

EVALUATION CRITERIA

The proposals will be evaluated by the goals set forth by the City Council and additional criteria as follow.

1. Prioritization: (1) purchase, (2) lease, (3) management and operation
2. Detailed plan or strategy to operate the space as a venue for performance or arts-related activities, and/or to what other use or uses the building will be put
3. Ability to meet the City's current debt requirements through purchase or lease payments and/or operating and presenting profits, user fees, and other private funding
4. The terms and conditions of the Term Sheet
5. Financial capacity to perform respondent's duties and obligations without public financial assistance, including the nature and strength of any required private financing interest or commitment
6. The experience and the financial and organizational capacity of the respondent in successfully managing and promoting performance or arts-related activities

City of Minneapolis staff will evaluate the proposals and submit a recommendation to the City Council.

The City reserves the right to reject any or all proposals or parts of proposals, to negotiate modifications of proposals submitted, and to negotiate specific proposal elements with a proposer into a project of lesser or greater magnitude than described in this RFP or the proposer's reply.

SCHEDULE

- September 15, 2004: RFP issued
- October 5, 2004: Pre-proposal Conference
- October 29, 2004: RFP response deadline
- November 23, 2004: City Council Community Development Committee considers staff recommendation re: RFP selection
- December 10, 2004: City Council action re: RFP selection